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C O N F I D E N T I A L SECTION 01 OF 02 BUENOS AIRES 002212

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PASS USTR FOR KATHERINE DUCKWORTH AND MARY SULLIVAN
USDA FAS/ONA FOR ROBERT RIEMENSCHNEIDER AND GREGG YOUNG
EEB FOR DAS CHRIS MOORE
EEB/TPP/MTA FOR BILL CRAFT AND CHEVER VOLTMER
PASS NSC FOR DPRICE AND MSMART
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE
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E.O. 12958: DECL: 11/13/2027

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SUBJECT: CENTRAL BANK PRESIDENT PUSHES GOA DOHA NEGOTIATORS
TO SHOW FLEXIBILITY DURING GENEVA G-20 TALKS

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Classified By: Ambassador E.A. Wayne for Reasons 1.4 (b,d)

Summary

1. (C) On November 12, Ambassador urged Argentine Central Bank President Martin Redrado to engage within the GoA to moderate Argentina's "rejectionist" position in Doha Round talks. Redrado confided that he had already intervened on the subject with the Foreign Minister and GoA trade negotiators in advance of the November 15 G-20 Ministers meeting. At the urging of WTO Director General Pascal Lamy, Redrado said he had told Foreign Minister Taiana and the GoA's trade negotiators that "Argentina must not be perceived as stalling the Doha Round." Redrado said there was some room for flexibility, but commented that the GoA could not accept a result that undercut industries like the auto sector that are major employers, particularly as Argentina is still recovering from its worst economic crisis ever. Nevertheless, he thought that Argentina would not be an obstacle to a successful conclusion of the Doha Round and said that the U.S./EU should be more concerned with India. End Summary.

Perception of Argentina aligned with Venezuela, Bolivia

2. (C) During a November 12 meeting (see septel readout), the Ambassador urged Redrado to engage again on Doha Round talks, given his prestigious position in Argentina and his past role as Argentina's lead trade negotiator. (Redrado served as the Foreign Ministry's Trade Secretary 2002-04.) The Ambassador explained that the perception in Washington and the EU was that the GoA was taking an extreme position in the Doha talks, and argued that this "rejectionist" posture was not earning it any good will among the other parties. The Ambassador added that Argentina was perceived as aligning itself with the extreme positions of Venezuela and Bolivia by seeking (along with Brazil) to further expand exemptions from tariff-cutting for industrial goods. The Ambassador noted that the concern was that if Argentina (and others) continued pushing this position during the November 15 G-20 meeting in

Geneva, it could contribute to derailing the Doha Round. Ambassador said he had made similar p(oints to Foreign Minister Taiana recently.

Redrado: Working to Moderate GoA Posture

13. (C) Redrado said he had spoken twice with WTO Director General Pascal Lamy within the last three months, with the last call around late October/early November. Lamy made the same points, particularly with regards to the perception that Argentina is aligned with Venezuela and Bolivia. Following this call, Redrado called Ambassador Alfredo Chiaradia, who had replaced Redrado in 2004 as Secretary of Foreign Trade in the Foreign Ministry (overseeing all trade negotiations). He also called Economy Minister Peirano and then had lunch with Foreign Minister Taiana, who departs for Geneva November 14 to participate in the G-20 Ministerial meeting.

14. (C) To all three he gave the message that the GoA's "approach was wrong," and emphasized that "Argentina could not be perceived as stalling the Doha Round." Redrado came away from these conversations with the impression that there might be some flexibility in Argentina's position. Redrado told the Ambassador that some part of Argentina's hardline position was just posturing, and noted that the GoA's Ambassador in Geneva is by nature combative.

15. (C) Nevertheless, Redrado said there were "certain realities beyond the posturing." In particular, he predicted that GM, Ford, and the other car manufacturers, which have sunk large investments into Argentina and optimized production to take advantage of the Argentine/Brazil auto sector managed trade regime, are strongly opposed to tariff rate cuts. Other industrial sectors were also problematic, such as petrochemicals, but Redrado thought that the GoA could ignore the complaints of some sectors, such as

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textiles, which needed to invest to become more competitive.

16. (C) Redrado noted that any Doha Round deal needed to give sufficient time to key industries to adjust -- by investing and becoming more competitive. He noted that this remained the basic approach of GoA economic policy and that would not change with the new President. From a political perspective, Redrado noted, the GoA could not agree to a conclusion that resulted in "foreign decisions taking away" industries that are the largest employers in the country -- such as the auto sector. With regards to this focus on maintaining industrial sector jobs, Redrado urged the USG to understand that Argentina should be considered a special case, since it is still recovering from its worst-ever economic crisis and still facing poverty levels of roughly 25%.

Redrado: Flexibility on Both Sides

17. (C) Redrado saw some room for optimism for the G-20 meeting, since high commodity prices should give the U.S. and EU some room to show flexibility. And, despite the GoA's limitations, Redrado said he saw enough flexibility in the Argentina position to preclude a scenario "where Argentina is the last one standing in opposition." Redrado admitted that he had not gone line by line through the tariff schedule to determine just where the GoA might have flexibility. He concluded that the U.S. and EU should worry more about India than about Argentina.

WAYNE